

Manitoulin-Sudbury District Services Board POLICY & PROCEDURES MANUAL	
Section: I. Social Housing	Effective Date: Mar. 1, 2015
Topic: 10 Investment in Affordable Housing	New
Subject : Homeownership	
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POLICY

The Homeownership program is a component of the Investment in Affordable Housing Program for Ontario which is 100% funded by the federal and provincial governments. The Homeownership component aims to assist low-to-moderate-income renter households to purchase affordable homes by providing down payment assistance in the form of a forgivable loan.

Program Objectives

- To provide renter households with an opportunity to move into homeownership.
- To ease the demand for rental housing by assisting renter households to purchase affordable homes.
- To encourage developers to build affordable housing by fostering demand.

The Manitoulin-Sudbury District Services Board is committed to delivering the Homeownership component of the Investment in Affordable Housing program provided the funding for the program is provided by the provincial and federal governments. DSB Staff will prepare the Program Delivery and Fiscal Plan as required by the Ministry of Municipal Affairs and Housing.

The DSB will strive to ensure the program is delivered in a fair and equitable manner across the DSB entire jurisdiction where reasonably possible. The DSB will establish eligibility criteria based on applicants income and assets. The DSB will also establish a priority ranking system for all applications as they are received based on the [Investment in Affordable Housing Program Guidelines](#) and DSB priorities across all communities.

PROCEDURE

Homeownership is a down payment assistance component in the form of a forgivable loan.

How to Apply

All residents of the Manitoulin-Sudbury DSB catchment area can apply for the Homeownership Program by contacting any of the DSB offices or by completing the [Homeownership Application Form](#) and submitting it to any of the DSB offices.

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Eligibility Criteria

To be eligible for down payment assistance, prospective purchasers must:

- Be a renter household buying a sole and principal residence in a participating DSB area.
- The primary Manitoulin-Sudbury DSB household income limit will be at or below the 60th percentile income level for the DSB area or the province, whichever is lower. The 60th percentile income level is updated annually by Ministry of Municipal Affairs and Housing.
- The primary Manitoulin-Sudbury DSB household asset limit will be set at \$50,000, however in extraordinary circumstances the CAO may approve an exception to this procedure.
 - Registered Retirement Savings Plans (RRSP), Register Retirement Income Funds (RRIF), Registered Education Savings Plan (RESP) and Tax Free Savings Accounts (TFSA) will not be included when considering assets for the purposes of Ontario Renovates eligibility.
- Financing approved by a national banking institution or credit union.

Purchase Price Criteria

The purchase price of a home must not exceed the average resale price of \$150,000.

Eligible Unit Types

Resale or new homes (including conversions from non-residential use that include a new home warranty) are eligible unit types under the Homeownership component.

Homes may be detached, semi-detached, town (condo and freehold), stacked homes, row houses, apartments, duplexes or other similar built forms as included in the Homeownership guidelines.

Homes must be modest in size, relative to community norms, in terms of floor area and amenities, as determined by the province and/or the DSB.

Home inspections are required for all resale homes and are strongly recommended for new homes.

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Eligible Client Groups

Eligible client groups for Homeownership include, but are not limited to:

- Seniors
- Persons with disabilities
- Victims of domestic violence
- Aboriginal people living off-reserve
- Residents of remote communities
- Low to moderate income singles and families

Education and Training

Purchasers approved under the Homeownership component will be required to complete education and training regarding home ownership including financial guidance around the up-front and on-going costs of homeownership and on the obligations and benefits of being a home owner.

The Canada Mortgage and Housing Corporation website has a number of tools, worksheets, calculators and guides to assist and inform interested home buyers. This information can be found at <http://www.cmhc.ca/en/co/buho/index.cfm>.

Funding

Funding is provided as a down payment assistance loan for eligible purchasers. Assistance is forgiven after a minimum of 20 years the affordability period for the Homeownership component.

The amount of down payment assistance for each eligible purchaser will be up to 10% or to a maximum of \$15,000. Under exceptional circumstances, clients may be able to exceed the above policy with the approval of the CAO.

The DSB may choose to provide a top-up to down payment assistance from the Homeownership RLF for households with dependents. This is to provide additional support to potential purchasers who face more challenges to save for a down payment and who would need to spend more to buy a home with adequate space. Top-up funding amounts from an RLF would be determined by the SM, and would not count as part of the 10% average funding limit.

Payment Process

The DSB will provide down payment assistance to eligible purchasers at the time of closing on the purchase of the home; when a mortgage can be registered on title. Please note that funding may not be used for deposits toward future builds.

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Conditions for Repayment by Homeowner

Repayment of the original down payment contribution must be made if the following situations occur while the Homeownership loan is outstanding:

- The unit is sold or leased.
- The unit is no longer the sole and principal residence of the loan recipient.
- The loan recipient becomes bankrupt or insolvent.
- The loan recipient misrepresented their eligibility for the program.
- The loan recipient used the proceeds of the loan for a purpose other than the acquisition of the unit.
- The death of the loan recipient.

Traditional interest will not be charged on the assistance. The original loan amount and the percentage share of the realized capital gains proportionate to the down payment assistance must be repaid in the above cases. For example, if the purchaser was assisted with 5% of the purchase price, the loan amount plus 5% of any capital gains/appreciation would have to be repaid.

If a unit is sold for less than the original purchase price, the difference between the down payment assistance and the depreciated amount will be repayable.

$$\text{Amount payable} = \text{Loan} - (\text{original purchase price} - \text{resale price})$$

For example, if the down payment assistance was \$10,000 for a home originally purchased at \$100,000 and then sold for \$92,000:

$$\text{Amount payable} = \$10,000 - (\$100,000 - \$92,000) = \$2,000$$

If the same home is sold for \$85,000, the principal shall be forgiven.

If a unit is sold for more than the original purchase price, the difference between the down payment assistance and the appreciated amount will be repayable.

$$\text{Amount payable} = \text{Loan} - ((\text{Resale price} - \text{original purchase price}) * 10\%)$$

For example, if the down payment assistance was \$10,000 for a home originally purchased at \$100,000 and then sold for \$110,000:

$$\text{Amount payable} = \$10,000 - ((\$110,000 - \$100,000) * 10\%) = \$11,000$$

The DSB must be satisfied that the sale was at fair market value.

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If a purchaser chooses to repay the down payment assistance without selling the home within the affordability period, the purchaser is still required to repay the proportionate percentage of any notional capital gain* as of the date of repayment.

Only the principal amount would have to be repaid in the event of the death of a homeowner prior to the expiry of the affordability period.

Repayments are to be made into the Homeownership Revolving Loan Fund (RLF) and redistributed under the Homeownership component in the DSB's area.

If the new potential purchaser meets all of the Homeownership guidelines, then the loan can be transferred. The new purchaser must pay all legal fees associated with the transfer.

**Notional capital gains will be calculated based on the current fair market value of the home at the time of repayment of the loan. Fair market value shall be based on an independent appraisal which would be paid for by the homeowner.*

Canada Mortgage and Housing Corporation (CMHC)

In support of the Homeownership component, CMHC will recognize down payment assistance as owner's equity in its underwriting evaluation.

Priority Ranking System

The DSB will strive to ensure the program is delivered in a fair and equitable manner across the entire DSB jurisdiction where reasonably possible. However, the DSB will establish the following local priorities:

- Communities where there are no Social Housing or Non-Profit Housing will be given priority over applicants from other communities.
- Applicants with low to moderate incomes will be given priority
- The funding will be equitably distributed throughout the district on a first come first serve basis in each region.